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8 BEFORE THE WASHINGTON STATE
OFFICE OF THE INSURANCE COMMISSIONER
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10 In The Matter Of The Application Regarding
11 The Conversion And Acquisition Of Control
12 Of Premera Blue Cross And Its Affiliates
13

No. G02-45

INTERVENERS' FIRST REQUEST FOR
PRODUCTION OF DOCUMENTS

14 TO: Applicant, Premera and Premera Blue Cross and its Affiliates;
15 AND TO: Robert Mitchell and Thomas Kelly, their attorneys
16

17 PURSUANT TO RCW 48.31C.030(4); 48.31B.015(4)(b); 34.05.446; CR 26 and 34,
18 and the Fifth, Seventh and Eighth Order of the Insurance Commissioner, you are
19 required to answer, in writing, the following requests for production of documents
20 separately and fully, within thirty (30) days of the date of the original service of these
21 requests for production upon you unless otherwise ordered by the Special Master or
22 Insurance Commissioner. Unless otherwise agreed, documents produced are to be
23 delivered to Richard Spoonemore, Sirianni, Youtz, Meier and Spoonemore at 701 Fifth
24 Avenue, Ste. 3410, Seattle, WA 98104.
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INTERVENERS' FIRST REQUEST FOR
PRODUCTION OF DOCUMENTS - 1

SIRIANNI YOUTZ
MEIER & SPOONEMORE
701 FIFTH AVENUE, SUITE 3410
SEATTLE, WASHINGTON 98104-7032
TEL. (206) 223-0303 FAX (206) 223-0246

1 When the term "document" is used, it means any records, logs, notes,
2 correspondence, memoranda, files, minutes, letters, electronic mail or other messages,
3 reports, studies, telegrams, teletype messages, microfilms, maps, graphs, charts, lists,
4 manuals, guides, instructions, directories, tables or tabulations, diary entries, checks,
5 vouchers, and recordings or informal memoranda of oral communications, and any
6 other form of record or data stored in electronic data storage systems. If the
7 information requested is contained in electronic data storage systems, you should
8 produce computer printouts which contain all the information requested in a form that
9 can be read without further data processing, plus the logical record for the original
10 relevant data set.

13 If the documents requested in the following requests for production are not
14 reasonably available to you in precisely the form requested or for the particular date or
15 period specified, but could be supplied in a modified form or for a slightly different
16 date or period, you are requested to respond by stating the extent, if any, to which
17 records or documents reasonably available to you contain information on the subject
18 matter and to provide such records or documents.

21 If the document is not available, state the efforts that were made to obtain the
22 document and state the other source or sources from which the document might be
23 obtained.

1 These requests for production seek information within the possession or control
2 of the Premera, Premera Blue Cross and its affiliates, including all subdivisions,
3 officers, directors, agents, employees, and attorneys of the same. When the term "you"
4 or "your" is used, it means Premera, Premera Blue Cross and its affiliates, including all
5 subdivisions, officers, directors, agents, employees, and attorneys of the same.
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7 These requests for production are continuing in nature and at such time as
8 further information is discovered which makes any prior answer incomplete,
9 inaccurate, or misleading, the answers should be supplemented promptly at the time of
10 discovery of additional information.
11

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13 **REQUEST FOR PRODUCTION NO. 1:**

14 Please provide the documents identified in **Exhibit A**, attached hereto. The Documents
15 are identified based upon the "WA No." and "Data Request" descriptions in the Data
16 Request Response Matrix dated June 23, 2003, submitted by you to Special Master
17 Finkel and the Parties.
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19 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 2:**

2 Please provide copies of the contract for, and invoices regarding, the legal fees incurred
3 by you related to the proposed Premera and Premera Blue Cross conversion.
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5 **RESPONSE:**
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8 **REQUEST FOR PRODUCTION NO. 3:**

9 Please provide a complete copy of Exhibit E-7 of the Form A filing regarding the
10 proposed Premera conversion.
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12 **RESPONSE:**
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15 **REQUEST FOR PRODUCTION NO. 4:**

16 Please provide complete copies of Exhibit C-1 of the Form A filing regarding the
17 proposed Premera conversion.
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19 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 5:**

2 Please provide complete copies of Exhibit A-6 of the Form A filing regarding the
3 proposed Premera conversion.
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5 **RESPONSE:**
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8 **REQUEST FOR PRODUCTION NO. 6:**

9 Please provide complete copies of all documents and all attachments that represent
10 correspondence between the Office of the Insurance Commissioner staff and Premera,
11 Premera Blue Cross and its affiliates, including all subdivisions, officers, directors,
12 agents, employees, and attorneys of the same, regarding the proposed conversion of
13 Premera and Premera Blue Cross and the ongoing financial examination of Premera
14 and Premera Blue Cross.
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17 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 7:**

2 Please provide all documents relating to any stock ownership plan for Premera,
3 Premera Blue Cross and its affiliates, including all subdivisions, officers, directors,
4 agents, employees, and attorneys of the same.
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6 **RESPONSE:**
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10 **REQUEST FOR PRODUCTION NO. 8:**

11 Please provide complete copies of Exhibit E-8 of the Form A filing regarding the
12 proposed Premera conversion.

13 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 9:**

2 Please provide all documents relating to any severance payments, retirement
3 payments, bonuses, non-compete agreements and other forms of compensation that
4 may be implemented by the proposed conversion of Premera, Premera Blue Cross and
5 its affiliates.
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7 **RESPONSE:**
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11 **REQUEST FOR PRODUCTION NO. 10:**

12 Please produce complete copies of all corporate bylaws adopted by Premera, Premera
13 Blue Cross and its predecessor organizations since their incorporation.
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15 **RESPONSE:**
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18 **REQUEST FOR PRODUCTION NO. 11:**

19 Please produce complete copies of all corporate articles of incorporation adopted by
20 Premera, Premera Blue Cross and its predecessor organizations since their
21 incorporation.
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23 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 12:**

2 Please produce complete copies of all minutes of Premera and Premera Blue Cross
3 Board of Directors and/or member meetings relating to changes in Premera and
4 Premera Blue Cross' articles of incorporation and/or corporate bylaws.
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6 **RESPONSE:**
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10 **REQUEST FOR PRODUCTION NO. 13:**

11 Please produce all documents related to the proposal and adoption of changes to
12 Premera Blue Cross's corporate by-laws or articles of incorporation in 1984, including
13 drafts of same.

14 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 14:**

2 Please produce all documents relating to capital contributions, dues, discounts from
3 charges and any other payments or funds provided by Washington hospitals to
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5 Premera, Premera Blue Cross and/or its predecessor corporations.

6 **RESPONSE:**
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10 **REQUEST FOR PRODUCTION NO. 15:**

11 Please produce all documents relating to capital contributions, dues, discounts from
12 charges and any other payments or funds provided by individuals or other nonprofit
13 or charitable entities to Premera, Premera Blue Cross and/or its predecessor
14 corporations.

15 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 16:**

2 Please produce copies of all minutes of board of directors meetings of Premera,
3 Premera Blue Cross and/or its predecessor corporations wherein the board of directors
4 voted upon or discussed all documents relating to capital contributions, dues,
5 discounts from charges and any other payments or funds provided by Washington
6 hospitals or individuals or other nonprofit or charitable entities to Premera, Premera
7 Blue Cross and/or its predecessor corporations, including any discussion of the
8 purpose of such payments or funds.
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11 **RESPONSE:**
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14 **REQUEST FOR PRODUCTION NO. 16:**

15 Please produce all documents reflecting any communication with Washington
16 hospitals regarding the 1984 proposed changes in Premera Blue Cross's corporate by-
17 laws and articles of incorporation.
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19 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 17:**

2 Please produce all documents relating to the proposal and adoption of changes to
3 Premera Blue Cross's corporate by-laws in 1993, including drafts of same.
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5 **RESPONSE:**
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8 **REQUEST FOR PRODUCTION NO. 18:**

9 Please produce all documents relating to and reflecting any communication with
10 Washington hospitals regarding proposed and adopted changes to Premera Blue
11 Cross's corporate by-laws in 1993.
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13 **RESPONSE:**
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17 **REQUEST FOR PRODUCTION NO. 19:**

18 Please produce all documents relating to the membership of the board of directors of
19 Premera, Premera Blue Cross and its predecessor corporations from inception through
20 present, including, without limitation, documents discussing appointments,
21 reappointments, recruitment or removals from the board of directors.
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23 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 20:**

2 Please produce all documents relating to the reasons, rationale or purpose for changes
3 in the statement of corporate purposes contained in Premera Blue Cross's articles of
4 incorporation, including any documents discussing the statement in Premera Blue
5 Cross's articles of incorporation that Premera Blue Cross is or was created for the
6 purpose of promoting the general and social welfare of the community. Please include
7 copies of minutes of meetings of the Board of Directors discussing such matters.
8

9 **RESPONSE:**
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13 **REQUEST FOR PRODUCTION NO. 21:**

14 Please produce all documents relating to any analysis performed by or for Premera
15 and/or Premera Blue Cross relating to the reasons for the proposed conversion of
16 Premera and/or Premera Blue Cross from a not-for-profit corporation to a for-profit
17 entity, including without limitation any documents relating the viability of Premera
18 and/or Premera Blue Cross if it does not convert to a for-profit entity.
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20 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 22:**

2 Please produce all documents relied upon by the Premera and Premera Blue Cross
3 Board of Directors in making the decision to convert Premera and Premera Blue Cross
4 to for-profit corporations.
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6 **RESPONSE:**
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10 **REQUEST FOR PRODUCTION NO. 23:**

11 Please produce all documents relating to discussion of whether, following conversion
12 to for-profit, Premera Blue Cross or its successor would acquire or be acquired by
13 another entity.
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15 **RESPONSE:**
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1 **REQUEST FOR PRODUCTION NO. 24:**

2 Please produce all documents relating to discussion of whether, following conversion
3 to for-profit, Premera Blue Cross or its successor would acquire or be acquired by
4 another entity.
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6 **RESPONSE:**
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9 **REQUEST FOR PRODUCTION NO. 25:**

10 Please produce all documents relating to the Interveners' interviews of the OIC experts,
11 including any transcripts of the interviews.
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13 **RESPONSE:**
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1 REQUESTS FOR PRODUCTION dated this 27th day of August, 2003.

2 SIRIANNI YOUTZ MEIER & SPOONEMORE

3
4
5 By: _____

6 Richard E. Spoonemore, WSBA #21833

7 Attorney for Intervenors Washington
8 Citizen Action, merican Lung Association
9 of Washington, Northwest Federation of
10 Community Organizations, Northwest
11 Health Law Advocates, Service Employees
12 International Union Washington State
13 Council, The Children's Alliance,
14 Washington Academy of Family
15 Physicians, Washington Association of
16 Churches and Washington State NOW
17 Washington Association of Community
18 and Migrant Health Centers

19
20 On behalf of all Intervenor Groups, with
21 authority.
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1 STATE OF WASHINGTON)
2 : ss.
3 County of _____)

4 I, _____, am counsel for _____ herein
5 and state that the foregoing answers and response are true and correct to the best of my
6 knowledge.

7
8 _____
9
10 SUBSCRIBED AND SWORN TO before me this _____ day of
11 _____, 2003.

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13 _____
14 NOTARY PUBLIC in and for the State of
15 Washington, residing at _____.
16 My commission expires: _____.
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EXHIBIT A

WA No.	Data Request
WA 3	Schedule of all acquisitions, mergers dispositions or other application and their incorporation status effected by Premera from inception through the current date (1933 to present).
WA 4	Presentations from senior management or by Premera's financial advisor(s) to Premera's management, its Board of Directors or any of its subcommittees regarding corporate strategy and planning, including all presentations regarding the proposed transaction and alternatives considered since January 1, 1997.
WA 6	Minutes of meetings of Premera's Board of Directors and any of its subcommittees that have examined the issue of the potential conversion for the last five years.
WA 7	Copies of any third-party consultant studies/actuarial appraisals prepared for Premera with respect to the transaction.
WA 8	Any studies or analyses prepared with respect to the impact of Premera's conversion to "for-profit" status.
WA 19	Exhibit H-2 - Management Agreement.
WA 20	Complete statutory Annual Statements and audited statutory financial statements for all statutory entities for all the years in business for each entity.
WA 22	Statutory Quarterly Statement for Premera statutory entities as of June 30, 2002, and September 30, 2002.
WA 26	Breakdown of historical financial information on a premium and fee basis by product line, operating unit and geographic region for the years ended December 31, 1997, through 2001 and Q1 and Q2 2001 and 2002 (Also provide Q3 2001 and 2002 data when available).
WA 27	Balance sheet, income statement, cash flow statement, and the analysis of operation by lines of business for Blue Cross in Washington and Alaska and Medical Service Corporation of Eastern Washington starting in 1957 and every 10 years until 1997.
WA 59	Annual Reports to Policyholders of Premera for the years ended December 31, 1997 to December 31, 2001.
WA 60	Internal Financial Statements that show detailed gain/loss by product line (LOB Reports) for all years in business.
WA 65	Filed 2000-2002 rates, pricing assumptions by produce line by state (rate filings).

1	WA 71	Please produce a copy of WA 71, discussion of how members are counted and tracked.
2	WA 74	Final projection and budget for 2003 through 2007 on a premium and fee basis by entities, product line and geographic region. Annual projects by business unit for 2002 - 2007, including income statement, balance sheet, cash flow statement, and other available pro forma financial information, as well as all key assumptions.
3	WA 76, a-f	Information regarding changes to current Premera operations
4	WA 78	Any analyses or studies demonstrating Premera's current and anticipated capital expenditure needs.
5	WA 79, a-j	Product line (HMO, PPO, POS, Indemnity , and ASO, plus non-medical products, e.g., dental vision, Rx, group life, disability, accident) information by state of operation for each year in business.
6	WA 80, a-j	Market segment (Individual, Small group, Large Group, Government, Other) information by state of operation for each year in business.
7	WA 81, a-j	For Market Segment (Individual, Small Group, Large Group, Government, Other) Indemnity, and ASO) by major product lines by state of operation for each year in business (this is the crosswalk for items 80 and 81).
8	WA 84	For the last five years, premium rate history for Premera and competitor carriers.
9	WA 85	For the last five years, the underwriting rejection percentage for Premera.
10	WA 88	Premium trends by product, size, geography, and demographic category.
11	WA 90	List of top competitors by product including market share by geography (subset for Alaska and Washington, with further subdivision for distinct geographic regions in Washington).
12	WA 91	For Premera, copies of typical provider contracts as follows, by geography (subset for Alaska and Washington, with further subdivision for distinct geographic regions in Washington).
13	WA 116	List of all potential buyers or strategic partners with whom you had discussions.
14		
15	B 144	External reports regarding operations and controls (e.g., audit management reports, financial reviews, etc.) By line of business and in aggregate, listing of current contracts, identifying current or projected annual revenue, ideally, this would be provided for each line of business as well as in aggregate (PwC).
16	B 145	For each of the largest contracts, a listing of the various coverage

		components (i.e., benefits) included.
B 146		Examples of the documentation which is used to calculate product pricing.
B 147		Examples of any reports which illustrate profitability by contract.
B 149		Examples of reports which summarize the results of cost containment activities (such as utilization review and/or medical review).
B 151		For each type of provider, information on how provider agreements are managed (where filed and who maintains filing system) for each product offered (e.g. indemnity, HMO, PPO, POS, etc.).
B 160		Subscriber (enrollees and members) information by zip code (grouped by county) by product by customer group for Alaska for the last 3 years.
B 161		Enrollment by customer (medium and large groups including ASO) in Alaska for last 3 years-rank ordered from highest to lowest by number of enrollees.
B 162		Enrollment by ethnic breakdown for the last 3 years.
B 163		Surveys (independent or internally prepared) on consumer or provider perception of plans.
B 164		Analysis of physician fee schedules over the last 3 years.
B 165		Notices about changes in fee schedules over the last 3 years.
B 166		Please produce a copy of B 166, contract analysis for hospitals (e.g., changes in negotiated prices) for last 3 years.
B 346		Examples of the documentation which is used to calculate product pricing.
C 203		History of the company's organizational structure.
C 205		Summaries of the last three years and YTD Premiums/Revenues and Pre-tax income for the following product groups, broken down by customer type (e.g. large groups, small group, micro group and individual): indemnity, PPO, HMO, ASO MPP, Managed Care Services, LTC, other Senior Products, United Government Services, Dental and other.
C 212		Target market size for major product groups/customer types.
C 213		PBC market share for each product group - the last three years vs. top five competitors.
C 219		Consolidated Loss Ratio, Medical Loss Ratio and SG&A Ratio (Statutory) for each of the last three year by line of business.
C 226		Summary of top 10 hospital service providers for each of the last three years and amounts paid.
C 227		Summary of top 25 doctor providers for each of the last three years and amounts paid.
C 228		Summary of complaints for each of the last three years.
D 304 and		Identify the top two individual and top three small group, and the large

1	D 304 (a) and	group market benefit designs, and provide product type and deductible
2	(b)	co-payment level and number of contracts or percent of the market
3	D 305	represented by each of the top three products.
4	D 306	Description/definition of geographic rating areas used for the
5		individual and small group markets
6	E 410	Discussion of recent (past five years) or expected changes in the
7		definition of geographic rating areas used for the individual and small
8	E 432	group markets.
9		The equivalent of annual statement state detail (i.e., page 29.WA, etc.) as
10		of 9/30/02.
11		For the year 2001, and for the year to date 2002, for each county in
12		Washington State, provide, in electronic form (ascii or .xls), and by line
13		of business:
14		a. the number of Premera enrollees;
15		b. the total premiums paid and the number of enrollees covered by those
16		premiums; and
17		c. the total payments to providers by category of provider and the total
18		instances of service giving rise to those claims; for payments for
19		hospitalization, instances of service refers to days of hospitalization.
20		Categories of providers will include hospitals, PCPs, OB/GYNs,
21		orthopedic, ophthalmologists, and pediatricians. Instances of service will
22		be replaced with a unit based on Premera's utilization data, such as
23		visits/1,000 insureds for physicians and days/1,000 insureds for
24		hospitals.
25	E 480	Please allocate net investment income to WA, AK and Other for WA26
26		and WA74 (i.e., the LOB detail and financial projections).
	E 483	For data response WA 26 and WA 60, for 1997 and 1998 the FEP and
		Med Supp block was not separated by AK and WA. Please provide the
		necessary information to perform the split.
	E 506	An analysis of Premera's proposed IPO which would include an
		accretion/dilution analysis demonstrating the impact to Premera's
		return on equity and/or return on pro-forma earnings per share from
		employing any capital raised by Premera in the IPO.
	E 508	Provide a copy of the Small Group rate filing that was filed in
		Washington this week.
	E 514	Documents sufficient to show the current reimbursement rates for the
		following Washington providers: (a) Your top ten hospitals by payment
		amount in 2002; (b) your top ten groups of physicians by payment
		amount in 2002; and the ten hospitals and ten groups of physicians with
		the highest reimbursement rates in your rural Western Washington fee
		area and your rural Eastern Washington fee area.

1	E 517	Two open questions posed by Blackstone at the financial follow up meeting on April 1:
2		(1) Discuss the historical operating expense PMPM statistics by entity.
3		What accounts for the difference in operating PMPM statistics for
4		Premera Blue Cross - Washington and Premera Blue Cross - Alaska?
5		(2) Why is Quality Solutions' operating and net income increasing in
6		2003 and declining so dramatically in 2004? What accounts for the
7	E 519	approximately \$1.3 million decrease in 2003 operating expenses? What
8		accounts for the \$2.8 million dollar operating expense increase in 2004?
9	E 534	Identify which lines of business (other than those with "ASC" in their
10		title) were considered ASC for each historical year since 1997. (For
11		example, was National Accounts BC risk or non-risk business?)
12		Question by SHCG pertaining to C241/E505:
13		1) Did Goldman Sachs assist Premera in preparing the Use of Proceeds?
14		2) What is Goldman Sachs' view of equity investors' receptivity to
15		Premera's proposed Use to Proceeds?
16		3) Please confirm that 4% investment return is the only return Premera
17		projects on the IPO proceeds.
18		4) Please confirm that Premera assumes no initial application of
19		proceeds to the operating business and that there is no operating return
20		that should be applied to the IPO proceeds.
21		5) How many subsequent equity offerings is Premera expecting?
22		6) Is Premera planning to offer any other securities, publicly or
23		privately, at or around the time of the IPO?
24		7) How does Premera's RBC compare to the other competitors in its
25		markets?
26		*0 What strategic opportunities has Premera declined? Please
		summarize the financial parameters of the foregone opportunities and
		the foregone earnings.
		9) Please provide the sensitivity models in working format for the four
		events discussed that Impact Premera's RBC.
	E 535	Additional questions by SHCG pertaining to E506
		10) Did Premera prepare a multi-year accretion/dilution model?
		12) Please provide the Excel model (with calculation formulas) so that
		we can review the inputs and assumptions.
		13) Assuming all of the analyses are based on 2004, what is the impact
		on 2005 Earnings and ROE?
		14) What is the impact of the IPO on book value per share?
		15) What is Goldman Sachs' view of the impact on multiples and stock
		price of the IPO dilution?
		16) What is Goldman Sachs' view of the stock performance and multiple

	<p>improvement given the expected impact of the IPO on earnings, ROW and book value in 2004, 2005 and beyond?</p> <p>17) What were the Price/Book Values for the other Blue Cross/Blue Shield IPO transactions that you cited?</p> <p>18) Given what Premera knows of BCBS North Carolina and the performance of the WellChoice common stock since its IPO, what is Premera's view of these possible key precedent transactions and how they might affect Premera's?></p> <p>19) What is the IPO multiple, spread and the assumed IPO?</p> <p>20) Is Book Value post IPO \$526 million? Not \$536 million?</p>
E 554	<p>Question by Kim Jacobson: Exhibit E-7 of the Form A reports that "in the late 1990's, Premera's Board of Directors and management team...refined its corporate mission, vision and strategy to focus on effectively serving its customers." The document goes on to say that Premera's current mission is "to provide peace of mind to its members about their health care coverage," while its vision is "to be the health plan of choice and the standard of excellence in our Region."</p> <p>When we last spoke about the mission, you referred me to the Restated Articles of Incorporation (WA-14). While these documents do state a purpose for the corporations, these purposes do not appear to match the mission and vision referred to in Exhibit E-7.</p> <p>To that end, I would like to request copies of the official mission and vision statements for PREMERA and Premera Blue Cross. If available, I would like to see the versions immediately prior to the "refinement," as well as the "refined" versions. Furthermore, if the "refined" versions are not the latest, I would like to see those as well.</p>
WA 870	<p>All documents referring to the pricing of Premera or MSC products in Eastern Washington relative to the pricing of Premera products in Western Washington, or to the need for uniform statewide base rates.</p>